

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7014

BILL NUMBER: SB 433

NOTE PREPARED: Feb 12, 2013

BILL AMENDED: Feb 4, 2013

SUBJECT: Abandoned Property.

FIRST AUTHOR: Sen. Paul

FIRST SPONSOR: Rep. Hamm

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill has the following provisions:

Tax Sale Properties: The bill establishes a procedure to permit a county executive to dispose of certain properties that did not sell at the tax sale to a person able to repair and maintain the properties. It provides that before the county executive may transfer properties that did not sell at a tax sale to a nonprofit corporation, an abutting property owner, or a person satisfactorily able to repair and maintain the property, a person with a substantial interest in the property must be given an opportunity to redeem the property.

Contiguous Vacant Parcels: The bill removes a requirement that the county executive's sale of a certain contiguous vacant parcel to an adjoining property owner may be conducted only if construction of a residential dwelling is permitted on the vacant parcel.

Notice of Violation: The bill requires certain notices concerning demolition and removal under the unsafe building law be served on each person with a known or recorded substantial property interest. It authorizes a municipality or county to bring an action to collect unpaid expenses relating to the abatement of high weeds and grass. (Under current law, the municipality or county may obtain only a lien on the property containing the high weeds and grass.)

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Summary:

(1) *Tax Sale Properties:* This bill permits a county to not only recoup some or all delinquent taxes, but also to gain additional revenues once the property has been fully returned to the tax rolls. Initially, the bill permits an individual to acquire properties without any payment (apart from a refundable bond payment) of taxes or penalties. Theoretically, this could be considered a loss of potential revenue to the county. However, the reality is that the county was unable to previously dispose of the properties at a tax sale and they were not redeemed. Additionally, the county has to maintain the properties adding to its expenditures.

As a result, if this provision causes property to be returned to the tax rolls this would ultimately lead to an increase in property tax revenues. The total net increase in local revenue is indeterminable at this time and would depend on the number of properties returned to the tax rolls and the property tax payments they generate.

(2) *Contiguous Vacant Parcels:* Removing this restriction may result in the development of a formerly vacant parcel and an increase in local property tax revenues.

(3) *Notice of Violation:* Serving the notice of violation to each person with a known or recorded substantial property interest may result in peer pressure on the owner to resolve the violation forthwith. Additionally, if the owner fails to pay the fine, under this provision the municipality or county would have a better opportunity to collect any delinquent payments.

Additional Information:

Tax Sale Properties: Under current law, a county executive, who has acquired properties that did not sell at a tax sale, may transfer the property to a nonprofit corporation for use for the public good.

This bill would also permit the county executive to transfer the property to an individual who is able to adequately maintain the property if doing so is in the public interest. As under current law, the individual would not be required to pay any of the taxes and penalties that the property has accrued, but may be required to post a bond not exceeding 25% of the delinquent taxes, penalties, and costs of the sale of the property. The bond would be forfeited if the person does not satisfactorily repair and maintain the property according to an agreement with the county, and the property would be returned to the county executive.

(Revised) *Notice of Violation:* Under current law, if the owner of real property violates an unsafe building ordinance, the municipality or county can serve notice against the owner. If the municipality or county proposes to demolish all or part of the unsafe building, this provision requires that the notice be given not only to the owner, but also to each person with a known or recorded substantial property interest. If the owner fails to pay the fine imposed, this provision authorizes the municipality or county to obtain a lien against all of the owner's property, not just the property against which the initial fine was issued.

State Agencies Affected:

Local Agencies Affected: County executives; Counties; Municipalities.

Information Sources:

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